Protection of software industry

1916. PROF. M. SANKARALINGAM: Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether Government's attention has been drawn to the news-item which appeared in "The Times of India", dated the 7th February, 2002 to the effect that Mckinsey and company Study Report stated that India's cost advantages in software services would end in two-three years;

(b) whether Government have analysed the situation; and

(c) if so, the steps proposed to be taken by Government to protect the software industry?

THE MINISTER OF COMMUNICATIONS AND INFORAMTION TECHNOLOGY (SHRI PRAMOD MAHAJAN): (a) to (c) The preliminary Mckinsey Study Report is being currently debated in the Industry and has not yet been submitted to Government. The Government, however, is continuously working to strengthen the industry, and steps taken in this regard are placed in the statement.

Statement

Steps taken by the Government to promote the Information Technology Sector

1. Export Promotion Capital Goods Scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment 5% duty.

2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B2C) commerce are under the automatic route.

3. Electronics Hardware Technology Park (EHTP) and Software Technology Park (STP) Schemes are implemented under the aegis of the Department of Information Technology, Ministry

of Communications and Information Technology, through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).

4. DTA access upto 50% of the FOB value of export is permitted for electronics hardware units under EOU/EPZ/EHTP schemes and the software units under EOU/EPZ/STP schemes.
5. Accelerated depreciation norms for computers and computer periherals for electronic units under Export-Oriented schemes (EOU/EPZ/STP/EHTP) has been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years.
6. Special Economic Zones are being set up to enable hassle free manufacturing and trading for export purposes.
7. The Depreciation on Computers is allowed @ 60%.
8. In the Budget 2002-03, the peak rate of customs duty has been reduced from 35% to 30%, customs duty has been reduced on stepper motors in computers/printers from 5% to 0%, floppy diskette from 15% to 10% and onink cartridges, ribbon assembly, ribbon gear assembly, ribbon gear carriage for use in printers for computers from 25% to 5%.

* In the Budget 2002-03, customs duty has been reduced on 56 items of capital goods for manufacture of semi-conductors from 5% to 0%, 24 items capital goods for manufacture of electronic components from 25—35% to 15%, on tools, moulds, dies for electronics industry from 25% to 15% and 46 items of raw materials for manufacture of electronic components from 25—35% to 5%.

* Customs duty on Computers and Peripherals continues to be @ 15% and all storage devices, integrated circuits, micro-processors, data display tubes are deflection components of colour monitors continue at 0%. The concessional rate of customs duty @ 5% for specified raw materials for the electronics industry (121 items) continues.

Customs duty on Information Technology Agreement (ITA-I) items of WTO (IT and Telecom products) continue @ 15%, parts of telecom continue @ 5%, parts components and accessories of mobile handsets including cellular telephones continue at 0%.

9. The Central Excise Duty structure was rationalised from multiple rates to single rate of 16% and single rate of Special Excise Duty (SED) @ 16%, in the Budget 2001-2002, and continues.
10. Information Technology Software is exempted from Customs and Excise Duty.
11. Second hand capital goods upto 10 years are freely importable.
12. EOU/EPZ/STP/EHTP units are eligible for Income Tax benefit on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.
13. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) is available to the IT sector.
14. Definition of Computer software, as in Section 80 HHE of the Income Tax Act covers transmission of data.
15. Benefit of Section 80 HHE is available to supporting software developers.
16. IT Enabled Services are eligible for Income Tax benefit under Section 10A, 10B and 80HHE of the Income Tax Act.
17. The donation of computers, imported duty free by EOU/EPZ/STP/EHTP units to recognised non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishments, etc., two years after their use by the said units is permitted.
18. The second-hand computers and computer peipherals donated by an outside donor to Government schools and recognised schools run on a non-commercial basis by any organisation are exempted from Customs Duties.
19. Income by way of dividends or long-term capital gains of a

Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

20. To give thrust to Venture Capital Finance, SEBI has been made the single .point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

21. There will be on tax on distributed or undistributed income of Venture Capital Funds. The income distributed by the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VCF undertaking in which the VCFs have made the initial investment are subsequently listed in a recognised stock exchange in India.

22. Under policy on portfolio investment, Foreign Institutional Investors (FIIs) are permitted to invest in a company upto an aggregate of 24% equity shares, extendable upto 40% subject to approvals. This limit was raised from 40% to 49% in the Budget 2001-02.

23. Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet Service Providers (ISPs) and Broadband Network providers.

24. Two-way fungibility has been permitted for ADRs/GDRs. Local share scan be reconverted into ADRs/GRRs, subject to sectoral caps.

25. With a view to give a boost to the manufacturing sector, it is proposed in the Budget announcements 2002-03, to allow a deduction of a further sum of 15% of the actual cost of such machinery or plant acquired and installed after 31.3.2002 in case of new industrial undertaking or substantial expansion by an existing industrial undertaking. The proposed amendment will take effect from 1.4.2003 and will, accordingly, apply in relation to the assessment year 2003-04 and subsequent years.

26. Indian Companies wishing to invest abroad may now invest

upto US$ 100 Million on an annual basis through automatic route without being subject to the three year profitability condition, up from existing limit of US$ 50 million (Budget announcement 2002-03).

27. Indian Companies making overseas investment in joint ventures abroad by market purchases may now do so without prior approval upto 50% of their net worth, up from existing limit of 25% (Budget announcement 2002-03).

28. To induce more investment for R&D activities, aweighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research is available.

29. For reduction of transaction time for export/import clearances, Ministry of Civil Aviation has finalised the scheme of 'Known-Shippers' for doing away with the 24 hours cooling off period.

30. Two shifts have been introduced on week days and single shift on holidays at the Air Cargo Complexes at Mumbai, Kolkata, Chennai, Bangalore, Hyderabad, Delhi and Goa.

31. STPI has set up a business support centre in the USA, which is operational since November, 1999, to promote business for STP units and provide marketing support to SMEs.

32. Information Technology Act 2000 dealing with Cyber Security, Cyber Crime and other information security related legal aspects is in place to encourage expansion of e-commerce through internet.

Failure of Communication System at IGI Airport

1917. SHRI K. RAHMAN KHAN:
SHRIMATI KUM KUM RAI:

Will the Minister of COMMUNICATIONS AND INFORMATION TECHNOLOGY be pleased to state:

(a) whether it is a fact that telephone system at the Terminal of IGI Airport collapsed on Thursday, the 7th February, 2002 due to